

QUONSET DEVELOPMENT CORPORATION
MEETING OF BOARD OF DIRECTORS

September 20, 2010

PUBLIC SESSION MINUTES

A meeting of the Board of Directors of the Quonset Development Corporation (the “Corporation”) was held at 5:00 p.m. on Monday, September 20, 2010, at the offices of the Corporation located at 95 Cripe Street, North Kingstown, Rhode Island, pursuant to notice to all members of the Board of Directors and a public notice of the meeting as required by the Bylaws of the Corporation and applicable Rhode Island Law.

The following members constituting a quorum were present and participated throughout the meeting as indicated: James Berson, Robert H. Breslin, Kas R. DeCarvalho, Barbara Jackson, John G. Laramée, Richard Pastore, John Patterson, Sav Rebecchi, and Keith Stokes. Absent were John G. Simpson and B. Michael Rauh. Also present were: Steven J. King, P.E., Managing Director; Kevin M. Barry, Finance Director; E. Jerome Batty, Secretary; and Corporation’s staff and members of the public.

1. CALL TO ORDER:

The meeting was called to order at 5:04 p.m. by Chairman Stokes.

2. APPROVAL OF MINUTES:

Upon motion duly made by Mr. Patterson and seconded by Ms. Jackson, the Board:

VOTED: To approve the Public Session minutes of the August 16, 2010 meeting, as presented.

Voting in favor were: Robert H. Breslin, Barbara Jackson, John G. Laramée, John Patterson and Sav Rebecchi.

Voting Against were: None

Unanimously approved.

3. STAFF REPORTS:

Mr. King reviewed the Staff Report with the Board.

Grants:

- TIGER Grant agreement signed by QDC; fully executed document is pending. Mr. King reviewed the projects to be funded under the TIGER Grant:**

- 1. Heavy Structural Marine (Moffatt & Nichol) – Pier 2 Condition**

Survey and Evaluation of Pier 2 and GPR Investigation final reports submitted.

2. Structural Pier 1 (GZA) – Field examination for condition of deck, cleats, bollards, and fenders completed.

3. Davisville Road Improvements and Tidal Drive Extensions – Contract signed with GRA, Field work and survey beginning September 20, 2010.

4. Terminal 4 and 5 – Contract signed by Garofalo and Associates (September 15, 2010).

5. Port Rail Improvements – First project to be executed. Rail material procurement will be advertised for Bid on September 22, 2010. The construction of the track rehabilitation work is scheduled for advertising for Bid on September 29, 2010.

Mr. Breslin asked if the TIGER Grant payment issues had been resolved since the last Board of Director's meeting. Mr. King advised the Board that an agreement has been reached to pay for the TIGER projects on an invoice. Mr. King assured the Board that all contractors had been notified that their payment may be delayed and payment made based on when the Corporation receives payment.

• EDA Grant – Project is 55% complete and ahead of schedule.

(Mr. DeCarvalho joined the meeting at 5:07 p.m.)

Development and Planning:

• Site Readiness Project – Review of 30 concept development plans is

complete. Project is well underway to design, layout, and permit property in order to expedite future development. Mr. King noted that QDC made 6 submittals to RIDEM this week, and publicly thanked RIDEM Director, Mike Sullivan, for his help.

- State Properties Committee granted final approval for purchase of 2300 SF at Gate Road and Enterprise Drive (hotel site).
- Development Regulations – consultant retained by QDC and the Town of North Kingstown to revise zoning ordinance and development regulations in order to implement Municipal Services Agreement. Presentation given to the Strategic Planning Committee prior to Board meeting.
- Alteris Renewables – a wind energy provider has invited tenants and Board members to a presentation on September 22, 2010.
- West Davisville land purchase – purchase and sales agreement has been signed. Phase I Environmental assessment is complete. Awaiting results of soil testing on the property and receipt of RIDEM permit for Compass Circle extension.

(Mr. Berson and Mr. Pastore joined the meeting at 5:09 p.m.)

Construction:

- NOAA building is complete. Rent payments commence effective September.
- Northrup Road realignment is ongoing with the installation of sanitary sewer from Bailey Road to Genoa Drive.

Operations:

- **Newcomb Road guard rail is in need of repair after a drunk driver caused extensive damage. The Corporation is awaiting estimates for repairs and will file a claim with the driver's insurance company.**
- **Quonset Water Tower painting is complete.**
- **Banneker heating and cooling improvements are underway in building 318.**

Port Operations:

- **Port News – first shipment of Porsches received at the Port of Davisville on September 13, 2010. NORAD is expecting to import eleven thousand (11,000) Porsches to the Port of Davisville – the business moved here from the Port of Baltimore. Mr. King confirmed that there would be new jobs created by deal; but no exact number is available yet. However, there were 25 jobs recently created from the Ford rail deal.**
- **Ship activity remained consistent with 11 ships carrying 11,413 units. There was an increase in rail car activity due to an increase in NORAD's Ford imports.**

Finance and Administration:

- **Operating expenses are running better than budget through August. Revenue is tracking true to budget.**
- **FY2010 Audited Financials and FY2012 Operating Budget will be submitted tonight for the Board's approval.**

4. COMMITTEE REPORTS:

A. Audit Finance Committee Report:

- At the September 9, 2010 meeting, the Committee reviewed the FY2012 Operating Budget and voted to approve and present it to the Board of Director's for approval.
- At the September 20, 2010 meeting, the Committee voted to accept the Audited Financial Statements and to present them to the Board of Director's for approval.

B. Strategic Planning Committee Report:

- The Town of North Kingstown and the Corporation are forming a "joint review committee" to ensure that the Town regulations are met and to ease the permitting process within the Park. There will be a vote presented to the Board at the next scheduled meeting.

5. APPROVAL REQUESTS:

A. Approval of the FY2010 Audit Financial Statements:

Mr. Barry provided the Board with an updated version of the FY2010 audited financial statement (Exhibit A). Mr. Barry noted that there were payments made on four contracts under the capital account in late July 2010 that should have been accrued to June 2010 causing the need to update the financials. The change had minimal impact but did result in an increase to net assets. Mr. Barry added that this

finding will result in an auditors comment and will change the way capital accounts are reconciled. The categories specifically impacted were:

- Capital Assets (pg. 5/ Non-current assets)**
- Accrued expenses (pg. 5/ Current Liabilities)**
- State Bond proceeds (pg. 6/ Capital Contributions)**
- Due from the State of Rhode Island (pg. 5/ Current Assets)**

Mr. Barry reviewed the FY2010 Audited Financial Statements and made note of the following:

- Operating Revenue (page 6) increased seven hundred eight thousand dollars (\$708,000.00); roughly 10.4% increase while Operating Expenses decreased twelve hundred dollars (\$1,200.00). The resulting Operating Income therefore increased seven hundred nine thousand dollars (\$709,000.00) before depreciation.**
- Net Non-operating Expense shows a loss (pg. 6). There was a special sale in FY2010 giving LJM Packaging, Inc. credit for rent paid over a thirteen (13) year period toward their purchase price. Since the rental income was not received in FY2010 it could not be reflected in the financials. Therefore, the financials do not show the six hundred and fifty six thousand dollars (\$656,000.00) collected in rent, only a three hundred and fifty thousand (\$350,000.00) dollar loss.**

Mr. Barry did note that the approval of the financial statement is contingent on approval by the Auditor General. Currently, the Auditor General has requested that the 'Transfer to Rhode Island

Economic Development Corporation' be moved from Non-operating revenues (expenses) to Operating Expenses (pg. 6).

Mr. Barry introduced Mr. Prescott from Braver Accountants. Mr. Prescott noted that there were two management letters needed from the Corporation; the first item was the last minute change to the statements. Secondly, Mr. Barry explained Braver reviewed the payroll processes and found that the Maintenance department was not signing off on time cards. The Corporation will need to address the problem and ensure that department reviews and signs off on timecards weekly.

Mr. DeCarvalho asked about the decrease in "Cash and cash equivalents" by 3.3 million dollars from the beginning of the period to the end. Mr. Barry noted that one of the goals of the Corporation was to reduce cash exposure. Mr. King added that the primary driver of this change was the construction of the NOAA building.

Mr. Pastore asked how the Corporation avoids overstating their position when receivables go into bad debt. Mr. Barry and Mr. Prescott explained that an allowance is set up in the budget. Mr. King also advised that the Corporation's accounts receivables are in very good standing with around 95% of all accounts current. Mr. Barry added that any receivable over 120 days requires justification to the auditors.

There was a short discussion on the status of the pension fund and the funding processes.

Upon motion duly made by Mr. Berson and seconded by Mr. Laramee, the Board:

VOTED: To accept the FY2010 Audited Financial Statements as presented to the Board, subject to approval by the State Auditor General.

Voting in favor were: James Berson, Robert H. Breslin, Kas R. DeCarvalho, Barbara Jackson, John G. Laramee, John Patterson, Richard Pastore, and Sav Rebecchi.

Voting Against were: None

Unanimously Approved.

B. Approval of the FY2012 Operating Budget:

Mr. Barry highlighted the FY2012 Operating Budget with the Board.

- Rental income increases in 2012 mainly due to Amtrak lease; Banneker lease, DeepWater Wind option payments, and short-term warehouse leasing.**

- Amtrak lease payments cover increase in operating expense from the new West Davisville mortgage - \$322,000.00 (as previously**

approved by the Board).

- Additional increase in revenues results from \$214,000.00 payment from the Town of North Kingstown for the common area maintenance charges under the new municipal services agreement.

- Capital Infrastructure Funding increases \$900,000.00 due to the following upcoming projects:

1. Compass Circle Extension in West Davisville
2. Tiger Grant Construction Management
3. Thompson Road Upgrade
4. Maintenance Vehicle Replacement
5. Quonset Water System Capital Maintenance
6. Quonset Waste Water System Capital Maintenance
7. Building 314 Roof Replacement
8. Ladd Water System Emergency Power Generator.

- Fringe Benefits were reduced under personnel expenses for FY2012.

- Significant increases in operating expenses for FY2012 are:

1. QDC/NK Infrastructure Fund (municipal services agreement) – QDC portion \$175,000.00.
2. Other Operating Expenses – West Davisville mortgage of \$322,000.00.

- There was a decrease in Consultant expenses:

1. Consultant costs related to the Site Readiness Project drop in 2012.
2. No payment to RIEDC under the now terminated Administrative Agreement.

Mr. Berson asked about how the TIGER grant will flow through the

financials. Mr. Barry noted that there will be the income from the grant and an actual increase in the Corporation's asset base; however, the TIGER funds are not part of the Operating Budget. Mr. Berson asked if there was an administrative fee, under the TIGER grant, that might be pursued to cover some of the Corporation's costs. Mr. King noted there was a small half of a percent that can be charged against the administration of the grant but the Corporation has chosen not to pursue it as it is minimal.

Mr. Berson noted that the pension contribution is \$300,000.00 for FY2012 but it was \$520,000.00 the previous year. Mr. Barry explained that was Corporate wide and the numbers are consistent with the reduction in pension at this point but may need adjusting next year.

Mr. Berson asked if the allowance for bad debt was built into rental income on the budget. Mr. Barry noted that bad debt is a balance sheet item but there will be no increases because the Corporation is not expecting any bad debt expense at this time.

Mr. Pastore requested more information on consultants and specifically noted the cost incurred under legal fees. Mr. King noted that every real estate transaction requires review by the Corporation's legal consultant, in addition to a variety of other duties. Mr. Batty, of Hinckley, Allen & Snyder, explained that their fees vary depending on who is handling the legal matter. Mr. Batty noted that the Corporation receives a discounted government rate.

Mr. Rebecchi questioned if it was prudent to increase personnel expenses again in FY2012 for the 3 open slots that were carried forward since FY2010. Mr. King explained that savings incurred by not engaging those positions goes right back into the net operating income. Mr. King added that maintaining the open slots allows the Corporation some flexibility in hiring, especially important with the upcoming TIGER projects.

Upon motion duly made by Mr. Laramee and seconded by Mr. Berson, the Board:

VOTED: To accept the FY2012 Operating Budget as presented to the Board.

Voting in favor were: James Berson, Robert H. Breslin, Kas R. DeCarvalho, Barbara Jackson, John G. Laramee, John Patterson, Richard Pastore, and Sav Rebecchi.

Voting Against were: None

Unanimously Approved.

Mr. King introduced Mr. Edward Spinard, the new Development Services Director.

There being no further business to come before the Board, upon motion duly made by Mr. Breslin and seconded by Mr. DeCarvalho, the meeting was adjourned at 6:08 p.m.

Respectfully submitted:

By: _____
Secretary

E. Jerome Batty,